

Measures taken by the Financial Market Commission (CMF) in response to the COVID-19 pandemic¹

The Financial Market Commission (henceforth, “CMF”, by its Spanish acronym) is committed to safeguard the stability of the Chilean financial system and protect the interest of its users –individuals, households and firms. As such, it has been following closely the developments in the financial markets under its supervision –securities, insurance, banking and financial institutions-, to apply the best possible measures to help mitigate the economic impact of the COVID-19 pandemic on the financial system and its users. The measures taken by the CMF to date are:

1. Increased monitoring and supervisory activities.

In the current crisis, it is crucial for the CMF to have an updated view on market developments and to assess any solvency or liquidity issues in systemically important financial institutions, such as banks, mutual and investment funds, insurance companies, intermediaries and financial market infrastructure entities. In this regard, the CMF has taken several measures:

- i) Assessed the operational continuity of all financial entities under its oversight and instructed them to adopt the necessary measures to ensure the continuing provision of their services to their clients.
- ii) Established a permanent Monitoring Task Force (MTF), to analyse the market developments and evaluate risks that might be arising in the financial system. The MTF is in permanent contact with financial entities and regularly requires them to provide information about their business and industry, in order to better assess the risks they face and how they are managing those risks.
- iii) Required issuers of publicly listed securities to disclose as soon as possible any significant information on financial and operational effects derived from the COVID-19 outbreak. The CMF required them to inform the measures taken to mitigate those effects, in accordance with the transparency obligations established by the Securities Market Law and CMF regulations.
- iv) Issued guidelines to the industries under its supervision, about the application of accounting rules (e.g. IRFS 9) and the involvement of boards in the function of risk management.

2. Issued or modified rules to allow for greater flexibility to financial entities.

In order to facilitate the flow of credit and reducing the financial burden to individuals and firms in need, the CMF has taken the following measures:

- i) Updated the provision requirements to banks and other credit providers (including insurance companies):
 - a. Allowed the possibility to defer loans payments up to 6 months depending on the type of debtor without additional provisions.
 - b. Allowed possibility of using surplus home mortgage guarantees to guarantee loans to SMEs.

¹ This text was prepared by the Financial Market Commission (CMF), with information as of April 17th, 2020.

- ii) Authorized an extended period in which banks can sell assets received as collateral for 18 additional months.
- iii) Relaxed regulation on capital charges and guarantees imposed on banks and insurance companies due to collateral posted for derivatives transactions.
- iv) Delayed the initial changes in the transition towards Basel III standards on capital requirements.
- v) Authorized the use of remote mechanisms for shareholders' meetings.
- vi) Authorized the use of electronic signature for the subscription of board meetings minutes of corporations supervised by the CMF.
- vii) Extended the period for submission of annual audited reports and financial statements, ORSA and Market Conduct assessments, to allow to the companies to focus all their resources on the processes directly associated with the pandemic.

On top of the regulatory measures mentioned above, the CMF has promoted or suggested several practices to regulated entities, in order to maintain the proper functioning of financial markets and also, to help to the reduction of face-to-face encounters due to financial practices. As such, it promoted the adoption of the necessary measures to provide adequate care and information to financials customers, reinforcing remote channels, such as websites platforms, mobile applications, among others. The measures taken in this regard are:

- i) Allowed the establishment of an all-electronic process to file claims for pension and retirement benefits.
- ii) Promoted electronic payments of pensions, or liquidation of insurance policies, functioning of electronic payments systems.

3. Worked closely with other local and foreign financial markets oversight bodies

It is key to ensure proper coordination and consistency of the different containment measures deployed by the different public entities. In this regard, the CMF has been in permanent coordination with the Ministry of Finance, the Central Bank of Chile and the Superintendence of Pensions, within the framework of the Financial Stability Council ("CEF", for its Spanish acronym

4. Taken a proactive role as a public institution that provides relevant financial market services.

On top of the supervisory and regulatory functions of the CMF, it also plays an important role in providing public services to individuals, households and firms. In this regard, the CMF has taken the following measures:

- i) Strengthened CMF's remote service channels for both supervised entities and the general public.
- ii) CMF's has taken an active role in providing information to the general public, such as the clarification of the scope of insurance coverage after the World Health Organization declared the Covid-19 coronavirus a pandemic.



Annex 1. Detail of measures taken by CMF

DATE	MEASURES	INDUSTRY		
		BANKS	INSURANCE	SECURITIES
18 th March	Apply operational continuity plans to CMF promptly, including the deployment of those business continuity measures.	X	X	X
	Disclose as soon as possible any critical information on financial and operational effects that could lead to the COVID-19 outbreak.			X
	Continue applying the risk management frameworks required by current regulations and to be able to meet the requirements of the participants or investors of the managed funds on time.			X
	Adopt the necessary measures to provide adequate care and information to their customers, reinforcing their channels, such as website platforms, mobile applications, among others.	X	X	X
	Adopt the measures required for branches so that users can access the respective banking services in the different geographical areas in which they operate, taking the necessary safeguards and having the public duly informed about these situations by prominent notices in the offices, websites or mobile applications.	X		
	Use of remote mechanisms at shareholders meetings, bondholders and contributor assemblies to allow remote participation and voting; such as the use of electronic signature in the subscription of minutes of board meetings	X	X	X
	About CMF continuity plan: CMF reminds the public and its supervised entities that its digital platforms are available to access and send information. CMF staff will continue working following the guidelines established by the health authority, including remote-work measures. CMF is also in permanent coordination with the FSC.			
23 rd March	CMF applied a regulatory guidance in the constitution of provisions associated with mortgage loans that are postponed by banks. Instalments can be re scheduled by customers to dates after the original maturity of the credit are not treated as renegotiations for the establishment of provisions. This special treatment targets those debtors who were up to date on their obligations when the state of emergency was decreed by the authority. The flexibility in provisions will be granted for the rescheduling of up to three dividends that are added after the original credit end date.	X		
	Facilities for banks to make loan installments to SME debtors more flexible -up to 6 months-, without considering it a renegotiation.	X		
	Terms of sale and punishment of Goods Received in Payment extended in 18 months for goods received between March 2019 and September 2020. Punishment in instalments is allowed.	X		
	Modification to the treatment of the margin of variation of derivatives.	X		
	Possibility of using surplus home mortgage guarantees to guarantee loans to SMEs. NOTE: On 13 th April CMF issued for public consultation the regulation that will allow the excesses of mortgage guarantees to be used in the standard provisioning model of the mortgage portfolio, as a mitigator in the standard group commercial model.	X		



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	The CMF will review the date on which BIII rules will be implemented in order to avoid accentuating the negative effects of the current economic cycle, communicating its decision in the short term.	X		
24 th March	CMF deferrals the date for presentation of annual financial statements. Supervised entities will have 15 additional days to the original deadline, March this year, to submit their audited results from the previous year to the CMF.			X
30 th March	More gradual implementation of Basel III standards on capital requirements: <ul style="list-style-type: none"> · Regulations freeze the calculation of credit risk-weighted assets in 2020 to facilitate management and monitoring. · Postponement of one year in the validity of the market and operational risk standard, in capital charges associated with systemic banks, in the term to make the discounts to regulatory capital for purposes of calculating the minimum capital and leverage requirements. · Pillar II will come into effect in the last quarter of 2020, the powers to establish additional capital charges for specific entities are expanded if warranted. · Continuous work to issue Basel III regulations in December 2020, extending periods of public consultation. 	X		
2 nd April	Flexibility in the treatment of provisions to promote the flow of credit to companies and people: no additional impairment is recognized for renegotiations. <ul style="list-style-type: none"> · Mortgage portfolio: Maximum dividend extension period will be 6 months for debtors with non instalments in default or who are more than 30 days past due within the validity period. · Commercial portfolio: Maximum extension of 4 months for debtors with non instalments in default or have a default of no more than 30 days or an instalment within the in-force period. · Consumer portfolio: Maximum extension period will be 3 months for debtors with non instalments in default or are in arrears not exceeding 30 days within the in-force period. NOTE: On 3 rd April these flexibilities were extended to savings and credit cooperatives under CMF supervision, mutual and insurance companies.	X	X	
	Together with the Superintendence of Pensions Funds, the CMF issues a transitional rule that allows future pensioners to complete the pension procedures made through the Pension Funds Management or a Life Insurance Company that can be carried out completely remotely through the SCOMP platform.			X